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12 *Attorneys for Plaintiff-Counterdefendant*
PRIVASYS, INC.

17 PRIVASYS, INC.,

18 Plaintiff-Counterdefendant,

19 v.

20 AMERICAN EXPRESS COMPANY and
21 AMERICAN EXPRESS TRAVEL
RELATED SERVICES COMPANY,
22 INC.

23 Defendants-
24 Counterclaimants

Case No. C 08-1072 SI

**PLAINTIFF AND
COUNTERDEFENDANT PRIVASYS,
INC.'S REPLY TO
COUNTERCLAIMS OF AMERICAN
EXPRESS COMPANY AND
AMERICAN EXPRESS TRAVEL
RELATED SERVICES COMPANY,
INC.**

DEMAND FOR JURY TRIAL

1 Plaintiff, PrivaSys Inc. (“PrivaSys”), submits this Reply to the Counterclaims of
2 Defendants American Express Company and American Express Travel Related Services
3 Company, Inc. (“Counterclaims”), which Counterclaims are set forth in “Defendants’
4 Answer, Counterclaims and Demand for Jury Trial,” dated June 18, 2008. Defendants
5 American Express Company and American Express Travel Related Services Company, Inc.
6 are referred to herein collectively as “American Express” or “Defendants.” PrivaSys denies
7 the allegations embodied in the headings of Defendants’ Counterclaims. For its Reply to the
8 numbered paragraphs of Defendants’ Counterclaims, PrivaSys avers that it:
9

- 10 1. Admits the allegations of Paragraph 1.
- 11 2. Admits the allegations of Paragraph 2.
- 12 3. Admits that PrivaSys is a Delaware corporation. Denies that PrivaSys has its
13 principal place of business in Newbury Park, California and denies all
14 remaining allegations of Paragraph 3. PrivaSys recently moved its principal
15 place of business to Camarillo, California.
- 16 4. Admits that this Court has jurisdiction over this action pursuant to 28 U.S.C.
17 §§1331 and 1338, and is without knowledge or information sufficient to form
18 a belief as to the truth of the remaining allegations of Paragraph 4 and on that
19 basis denies such allegations.
- 20 5. Admits the allegations of Paragraph 5.
- 21 6. Admits the allegations of Paragraph 6.
- 22 7. Whereas American Express in this Paragraph incorporates by reference its
23 allegations in Paragraphs 1-6, PrivaSys incorporates by reference its
24 averments in response to the allegations in Paragraphs 1-6 set forth above.
- 25 8. Admits the allegations of Paragraph 8.

- 1 9. Admits the allegations of Paragraph 9.

2 10. Admits the allegations of Paragraph 10.

3 11. Denies the allegations of Paragraph 11.

4 12. Denies the allegations of Paragraph 12.

5 13. Whereas in Paragraph 13 of its Counterclaims American Express realleges

6 Paragraphs 44 through 53 of its Affirmative Defenses, PrivaSys responds

7 below to these paragraphs as follows:

8

9 44. Denies the allegations of Paragraph 44.

10 45. Admits the allegations of Paragraph 45.

11 46. Admits the allegations of Paragraph 46.

12 47. Admits that there is some overlap among the claims of the '154 and

13 '288 patent, but denies that they cover substantially the same subject

14 matter and denies that the Patent Office repeatedly rejected some

15 claims of the '715 patent application. Admits that a terminal

16 disclaimer was filed. Denies each and every remaining allegation of

17 Paragraph 47.

18

19 48. Admits that the '288 patent had two independent method claims that

20 are generally directed to providing a secure transaction and generating

21 a Secure Card Number, and that the '154 patent has five independent

22 method claims that are generally directed to providing a secure

23 transaction and generating a Secure Card Number, and that the '715

24 application was amended. Denies each and every remaining allegation

25 of Paragraph 48.

26

49. Denies the allegations of Paragraph 49, except admits that MasterCard had misappropriated certain PrivaSys trade secret information and incorporated that information into the '566 patent, and admits that the referenced action was dismissed.

50. Admits the allegations of Paragraph 50.

51. Admits that the inventor and each individual associated with the filing and prosecution of the '715 application, within the meaning of 37 C.F.R. §156, was subject to the duty of candor set forth in 37 C.F.R. §156(a). Denies each and every remaining allegation of Paragraph 51.

52. Admits that Section 2001.06(c) of the Manual of Patent Examining Procedure provides in part: “Where the subject matter for which a patent is being sought is or has been involved in litigation, the existence of such litigation and other material information arising therefrom must be brought to the attention of the U.S. Patent and Trademark Office.” Denies each and every remaining allegation of Paragraph 52.

53. Admits that Larry Routhenstein, Roy L. Anderson, Paul Hickman, and each person associated with the filing and prosecution of the '715 application, within the meaning of 37 C.R.F. §1.56, owed the duty of candor provided by Section 1.56. Admits that the MasterCard v. PrivaSys litigation was not disclosed to the Patent Office in connection with the '715 Application. Admits that Routhenstein, Anderson and Hickman knew of the existence of the MasterCard v. PrivaSys

1 litigation. Denies each and every remaining allegation of Paragraph
2 53.

3 14. Denies the allegations of Paragraph 14.

4 15. Whereas in Paragraph 15 of its Counterclaims, American Express realleges
5 Paragraphs 54 through 60 of its Affirmative Defenses, PrivaSys responds below to
6 these paragraphs as follows:

7 54. Denies the allegations of Paragraph 54.

8 55. Admits the allegations of Paragraph 55.

9 56. Admits that the '715 application was submitted to the PTO on
10 September 21, 2001; that a fee and oath or declaration were initially
11 not included; that the application was published on March 27, 2003 as
12 Patent Application No. 2003/0061168 without Claim 27; on November
13 5, 2003, the PTO examiner indicated the claims 7-22 were allowable if
14 re-written and provided a statement of reasons; subsequently an
15 amendment to the patent application was filed dated March 22, 2004
16 adding new claims 23-26; admits that initially this amendment was not
17 signed and a fee was not included. Denies each and every remaining
18 allegation of Paragraph 56.

19 57. Admit that the application was amended with amendment dated
20 October 21, 2005, adding Claims 27-35, that the '715 application was
21 issued as the '154 patent on March 27, 2007, and that March 27, 2007
22 is more than five years after September 21, 2001. Denies each and
23 every remaining allegation in Paragraph 57.

58. Admits that PrivaSys' complaint alleges that the '154 Patent contains 35 patent claims covering a unique and novel method for generating and validating a dynamic code with transactions transmitted over the existing payment card networks. Denies each and every remaining allegation in Paragraph 58.

59. PrivaSys is without knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 59 and on that basis denies each and every allegation in Paragraph 59.

60. Denies the allegations of Paragraph 60.

16. Denies the allegations of Paragraph 16.

17. Denies the allegations of Paragraph 17.

18. Denies the allegations of Paragraph 18

PRAAYER FOR RELIEF

Wherefore, PrivaSys denies that American Express is entitled to any of the relief prayed for in its Counterclaims, and prays for judgment upon American Express's Counterclaims as follows:

A. That American Express's Counterclaims be dismissed with prejudice and that American Express take nothing thereunder:

B. That judgment be entered in favor of PrivaSys;

C. That PrivaSys be awarded its costs, disbursements, and attorney's fees in connection with this action; and

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2 D. That PrivaSys be awarded such other and further relief as the Court may deem
3 just and proper.

4 Dated: July 8, 2008

5 Respectfully submitted,

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7 /s/ George F. Bishop
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DEMAND FOR JURY TRIAL

2 Plaintiff and counterdefendant, by its undersigned attorneys, demands a trial by
3 jury on all issues so triable.

4 Dated: July 8, 2008 Respectfully submitted,

Respectfully submitted,

/s/ George F. Bishop

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